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Letter dated 26 February 2002 from the Secretary-General to the President of the Security Council

I have the honour to convey the attached communication, dated 22 February 2002, which I have received from the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina (see annex).

I should be grateful if you would bring it to the attention of the members of the Security Council.

(*Signed*) Kofi A. **Annan**

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Annex

Letter dated 22 February 2002 from the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina to the Secretary-General

I have the honour to transmit to you the twenty-first report on the activities of the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina. I would appreciate your making this report available to the Security Council.

I look forward very much to addressing the Council on the current situation in Bosnia and Herzegovina on 5 March.

(*Signed*) Wolfgang **Petritsch**

Enclosure

Report of the High Representative for the Implementation of the Peace Agreement to the Secretary-General

26 August 2001-19 February 2002

Pursuant to Security Council resolution 1031 (1995) of 15 December 1995, in which the Council requested the Secretary-General to submit reports from the High Representative in accordance with annex 10 of the Peace Agreement and the Conclusions of the London Peace Implementation Conference of 8 and 9 December 1995, I herewith present the twenty-first report to the Council.

The report covers the activities of the Office of the High Representative and developments in Bosnia and Herzegovina during the period from 26 August 2001 to 19 February 2002.

SUMMARY

1. The tragic events of 11 September 2001 in the US left their imprint on the domestic affairs of Bosnia and Herzegovina (BiH). The BiH authorities demonstrated their commitment to global action by working closely with the International Community to establish the Coordination Team in the Fight Against Terrorism, review citizenship cases, develop a badly-needed package of anti-terrorism legislation, and pass the five laws comprising the Citizens Identification Protection System (CIPS).

2. At its 6 December 2001 meeting, the PIC Steering Board (SB) at Political Directors' level endorsed my Draft Action plan on streamlining the work of the international civilian organizations in BiH. This plan includes policy coordination Task Forces on Rule of Law, Institution Building, Economic Policy, and Return and Reconstruction. At the top of the coordinating structure there is a Cabinet of lead agencies chaired by the High Representative. I will present a refined plan, including an assessment of multi-year funding requirements to the SB at their next meeting on 28 February 2002. The SB will also decide on the police follow-on mission replacing the UN International Police Task Force (IPTF), whose mandate is expected to terminate on 31 December 2002.

3. The implementation of the BiH Constitutional Court's "Constituent Peoples' Decision" (issued in 2000) is in a crucial phase. At my request, the leaders of the main BiH parties (from both Entities) have met several times at the end of January and during February with the aim of finding a sustainable agreement themselves.

4. The year 2001 produced 92, 061 "minority" returns, an increase of 36% over 2000, which was declared a breakthrough year at the time. On 24 January I issued a Decision ensuring transparency in the allocation of funds for refugee return in the Entity budgets. Among other things, the Decision requires Entity Ministers to notify periodically the State Minister for Human Rights and Refugees on their expenditure on refugee return.

5. Even though there must be no legal pre-conditions for cooperation with the Hague Tribunal, it was a positive sign that the National Assembly of RS passed in September a Law on the matter. However, six months afterwards, the RS authorities have not apprehended a single person indicted for war crimes. Moreover, the fact that the main RS indictees, Radovan Karadzic and Ratko Mladic are still at large, is a worrying fact that seriously hampers the normalisation of life in BiH.

6. In an effort to speed up preparations for the elections scheduled for 5 October 2002, I appointed both the three international and four national members of the BiH Election Commission.

7. On 6 November 2001 I issued a Decision amending the Federation Law on Banks to allow provisional administrators of banks to make payouts of up to 5000 KM (approximately 2,500 Euro) before issuance of their final reports. This affects most Hercegovacka Bank depositors, whose money has been frozen since April 2001.

8. On 8 February I issued Decisions by which the Entity Ministries of Urban Planning, rather than municipal authorities, are responsible for issuing permits for the reconstruction of monuments destroyed in the 1992/95 war. The ministerial decision has to be taken within 30 days, which makes the employment of delaying tactics and artificial obstacles more difficult.

I POLITICAL ISSUES

1. - State Institutions

1. The tragic events of 11 September in the US left their imprint on domestic affairs in BiH. To show their commitment to the global fight against terrorism, BiH authorities undertook a series of measures such as the establishment of the Coordination Team in the Fight Against Terrorism, which includes both domestic authorities and international agencies (OHR, SFOR, UNMiBH, UNHCR, OSCE). Other measures include the enhancement of cooperation between the Entity Interior Ministries, and the establishment of a commission to review cases of citizenship granted to foreigners during and after the war. The IC in BiH was closely involved in the drafting of anti-terrorism laws which were adopted by the Council of Ministers' (CoM) on 26 October 2001.

2. The aftermath of 11 September highlighted the urgent need for the implementation of the Citizens Identification Protection System (CIPS), which will ensure that BiH citizens have secure identification documents. The package of five CIPS laws was passed by the BiH Parliamentary Assembly (PA) and published in the Official Gazette on 28 December 2001.

3. On 18 January 2002, the competent authorities of the Federation of BiH handed over to the US government representatives six persons – citizens of Algeria, who had been in detention since October 17, 2001 on suspicion that they had connections with persons and organizations from an international terrorist network. Five out of these six persons were also the citizens of BiH, whose citizenship had been revoked in a stipulated procedure after it had been found out that they acquired the citizenship in an illegal manner.

4. During the reporting period, I continued my efforts to deepen the partnership between the domestic authorities -in particular State institutions- and the IC. At its meeting on 12 September 2001, the PIC Steering Board at Political Directors' level (SB PDs) met with representatives of BiH led by the Chairman of the CoM. The Steering Board welcomed the partnership initiative but noted that the new relationship required "a total, immediate, and professional commitment to drastic long-term institutional, legal, and economic reforms."

5. At its next meeting on 30 October, the SB PDs called on BiH authorities to urgently increase the pace of preparation for the general elections, and demanded the immediate launch of the BiH Election Commission. Accordingly, on 16 November I appointed the four national members of the Commission, who work with the three international members I appointed on 27 September. I have made it clear to the responsible authorities that they must now implement all administrative measures necessary for the elections to take place on 5 October 2002 as stipulated in the Election Law (adopted in August 2001).

2. - Entities and Brcko

a) BiH Federation

6. On 6 October 2001, the HDZ BiH held its 7th Party Congress in Mostar. The outcome was a disappointment because Ante Jelavic -whom I had removed in March 2001 as party President due to his participation in the "Croat Self-Rule" project- ran unopposed and was re-elected as President. In addition, most of the Vice-Presidents who were elected at the Party Congress had also been removed at that time. This indicates that the leadership of this party is unwilling to give up power and that the moderates in the Party have chosen not to challenge the status quo for the time being.

7. Nonetheless, significant changes have occurred which have made the so-called Croat issue less dangerous for peace implementation. The imposition of a Provisional Administrator in Hercegovacka Banka (financial backbone of the illegal BiH Croat structures), the loss of financial and political support from Croatia and the Alliance Government policy to dismantle parallel institutions as much as possible, have all contributed to a reduction in tensions over the Croat/HDZ issue. Indeed, by returning to the Federation HoR on 28 November, HDZ BiH has implicitly acknowledged that the Self-Rule project was untenable.

8. This, as well as other significant events, such as the successful implementation of the Gornji Vakuf-Uskoplje and Zepce agreements, the unification of the Pension Fund in the Federation, progress in the divided City of Mostar and the Alliance Government's outreach to the Croat strong-hold of Herzegovina indicates that the old HDZ/SDA bipolar world of ethnic politics that cemented the parallel structures in the Federation is slowly giving way to a more practical, functional approach.

9. The Third Congress of the main nationalist Bosniac party, the Party of Democratic Action (SDA) took place on 13 October in Sarajevo. Alija Izetbegovic stepped down from the party leadership and Sulejman Tihic, who is also the Deputy Speaker of RS National Assembly (RS NA), was elected as the new party President.

10. On 15 September, I issued a Decision on the implementation of the Agreement on the unification of the municipalities of Gornji Vakuf (Bosniac) and Uskoplje (Croat). I also appointed a Supervisor to ensure that this agreement is implemented smoothly.

11. On 17 September in Zepce, I announced that the conditions laid down in my Decision of 6 October 2000 had been met. (The October 2000 Decision called for the integration of the Croat majority municipality of Zepce into Zenica-Doboj Canton, the reunification of the institutions of Zepce and the realignment of the cantonal boundaries in order to satisfy the concerns of local Croats within the Bosniac majority Canton.) On 30 November, I confirmed that this Decision integrating the Zepce municipality was final and binding.

12. The OSCE completed its audit of the Federation Armed Forces (AFBiH) in November 2001 and came to the conclusion that the current force levels are simply not financially sustainable. On 28 January, the OSCE and IMF began discussions with the Federation Government, informing them that they must take immediate remedial action including the stoppage of all recruitment into the AFBiH. The Government's own proposal calls for a reduction of 10, 000 soldiers with a compensation payment of 10, 000 KM (approximately 5,000 Euro) per soldier, and is working with the OSCE and IMF to find ways of financing such a package. The IC, including OSCE, IMF, and SFOR, is monitoring this situation closely since it is both a technical problem and an issue with important ramifications for all of BiH society. A similar audit process is under way in the RS, and should be completed by the end of March.

b) Republika Srpska (RS)

13. The socio-economic situation in the RS remained gloomy. This was illustrated – among other signs- by the many strikes held by teachers and medical workers and the protests organised by pensioners.

14. Very little has been done by the RS authorities in regard to the reconciliation process among the three constituent peoples. The Reconciliation and Reform Committee

headed by President Sarovic, which was established at my request in the aftermath of the tragic events in Banja Luka and Trebinje in May 2001, has met only once.

15. RS co-operation (or lack thereof) with ICTY has yet to yield any specific results. Even though all internal preconditions -however misconceived- were met in September by the passing of the RS Law on Co-operation with the ICTY, not a single indicted war criminal has been apprehended yet by the RS authorities themselves. RS officials have let it be known that the most wanted Bosnian Serb indictees, Karadzic and Mladic, will have to be arrested by the IC alone due to the "sensitivity of the matter."

16. The Karadzic-founded Serb Democratic Party (SDS) finally took some tentative steps toward reform during the first part of its Congress on 24 December 2001, although the new Platform still does not include a clear commitment to the State of BiH.

17. Regrettably, during the reporting period, this lack of commitment to State institutions was reflected in the behaviour of most RS politicians. In my many meetings with the RS leadership, I have underlined that a functional and viable State is the only possible framework for the RS and its citizens to achieve their political and economic aspirations.

c) Brcko

18. The reorganization of the Brcko District Government out of three postwar municipalities was completed by the end of 2001 with the hiring/rehiring of public employees in an open, competitive process.

19. During the reporting period, both Entities and the State appointed liaison officers to facilitate cooperation with the District. This should lead to a decrease in tensions over issues such as privatization, taxation, customs policy/revenue, business formation and competition.

3. - Regional Issues

a) BiH's participation in European integration processes

20. The Political Affairs Committee of the Council of Europe (CoE) recommended BiH for admission into the Council on 27 September 2001. The Council's PA confirmed this recommendation on 22 January 2002, when it voted overwhelmingly in favour of BiH's accession in a strong endorsement of BiH's European aspirations. A final, positive decision on BiH's CoE membership is expected when the Committee of Ministers of the Council meets in Vilnius in May 2002.

21. BiH has been working to fulfill a number of the outstanding EU Road Map conditions. The House of Peoples (HoP) adopted the Civil Service Law on 20

December 2002, but the HoR has yet to pass it. The PA has also passed the Law on the State Border Service (SBS). Unfortunately, funding for both the SBS and the Constitutional Court of BiH, another Road Map requirement, has been held up by the PA's inability to pass the 2002 State Budget. (Other EU Road Map requirements are dealt with in the section on economic issues.)

b) Normalisation of BiH's relations with neighboring countries

22. In early November, high-level parliamentary delegations from both Croatia and the FRY visited Sarajevo. Moreover, the Croatian President Mesic and Yugoslav Federal President Kostunica visited BiH during fall 2001.

23. In November 2001, after nearly ten years of diplomatic blackout, BiH and the FRY exchanged Ambassadors. Discussions on the delineation of the border between the two States are continuing, and a free trade agreement was signed on 1 February 2002.

24. After an interruption of two years, the BiH-Croatia Inter-State Diplomatic Commission on border issues reconvened on 20 November in Zagreb. Furthermore, the 5th session of the Inter-State Council for Co-operation, held on 10 December in Zagreb, insisted that the 1999 Treaty on the State Border must be fully applied along the whole border. I have taken every possible opportunity to underline to all concerned that such developments can only serve the progressive rapprochement of BiH, as well as of Croatia and the FRY, with the EU as a whole in the framework of the stabilisation and association process.

II ECONOMY

1. - General Overview of the BiH Economy

25. The BiH economy continued to expand at a moderate pace in the second half of 2001 remaining in the range of last year's increase of 5%. The pace of economic revitalization, particularly in the RS, remains too slow. Official unemployment rates are alarmingly high at approximately 40%.

26. The introduction of Euro coins and notes in 12 EU countries by January 1, 2002 had no immediate implications on the Convertible Mark (KM) in BiH. The Central Bank of BiH (CBBH) maintains monetary stability by issuing domestic currency according to the Currency Board arrangement. This arrangement involves full coverage in freely convertible foreign exchange funds under fixed exchange rate 1 KM: 0,51 EURO. During the last four months (from November 2001 until February 2002), CBBH purchased DEM 2,23 billion from the commercial banks in BiH.

27. As of mid-January 2002, attempts were still being made to resolve issues related to the mid-term rebalancing of the State budget, which still faced financing gaps. For the Entities, revenue collection in the latter portion of 2001 improved, creating a better

budget outlook. Fiscal balance remains precarious, which underlines the need for higher efficiency in the tax collection and improved transparency in public spending.

2. - Regional and European economic integration

28. Joining the EU remains a key driving force and the principal longer-term political aspiration and economic objective for BiH. Some progress, if all too slowly, has been made on the completion of the EU's Road Map requirements. Three pieces of key commercial legislation, the Laws on Competition, Foreign Direct Investment, and Foreign Trade Chamber have completed parliamentary approval. Others, such as the Laws on Consumer Protection, on Industrial Ownership, Copyright and Other Related Rights in BiH, were adopted by the BiH House of HoR on 16 January 2002. The Law on Concessions, Law on Industrial Property, Law on Consumer Protection, Law on Copy Rights and Related Rights in BiH have also been adopted in second reading before the HoP. It is expected that final adoption of these laws will take place at the next HoR session, which begins on 12 March.

29. Further progress on the road to regional economic integration was made by the Stability Pact initiative for a regional Memorandum of Understanding (MoU) on Trade Liberalization, under which 90% of mutual trade in value should be free of duty by the end of 2006.

3. - Economic Reform

a) Privatization

30. In the RS, the portion of large-scale enterprises to be sold through vouchers (55% of total capital) has been fully allocated. The sale of the remaining state-owned capital in every company is ongoing. Among the group comprising the 50 largest enterprises, the so-called strategic companies, progress has been made since, for the first time, three large enterprises have been successfully sold to international investors. Two tenders were declared unsuccessful, as the negotiations between investors and Privatization Agency could not be concluded.

31. In the Federation, a second round of large-scale company Public Offering of Shares (POS) for certificate holders has been completed, with one of perhaps two further rounds to follow shortly. The remaining portion of publicly owned capital (67%) will be sold for cash. This will be the main focus for 2002.

b) Pensions

32. The implementation of the BiH Federation Law on the Organization of Pension and Invalid Insurance has seen significant progress. The two Pension Funds in the Federation (PIO Sarajevo and MIO Mostar) were merged according to a Decision imposed by me. The new single Pension Fund in the Federation started to function on 1 January 2002 and disbursed its first pension payments by the beginning of February.

c) Transport

33. BiH signed an agreement with the Central European Air Traffic Services (CEATS) on 14 September 2001. A contract with Croatia Control Limited to provide air traffic control services to BiH in the medium airspace became effective on 27 December 2001. Deployment of the State Border Service has been completed at Banja Luka and Mostar airports and a similar deployment at Tuzla airport will follow.

34. Both the RS and the BiH Federation governments recently passed Railway Laws. For the Federation, the law incorporates both the ZBiH (the former railway company of the legal Republic of BiH) and the ZHB (the railways of the illegal Croat statelet in BiH) under the new ZFBiH (Railways of the BiH Federation). In the road transport sector, the state government has now passed legislation on the Law on International and Inter-entity Road Transportation, which provides the basis for state level licensing and regulation of international and inter-entity truck and bus transport.

d) Energy

35. The implementation of the Power III project is progressing and the CoM has now adopted the State Electricity Law, which establishes a Regulatory Commission with powers over electricity transmission, as well as an Independent Service Operator and a Single Transmission Company. Entity laws that are currently being discussed at both parliamentary assemblies deal with power generation and distribution.

III ANTI-CORRUPTION AND TRANSPARENCY ISSUES

36. During the reporting period, my Office continued to work with international organizations and the RS authorities to implement the recommendations of the comprehensive audit carried out by the Supreme Audit Institution in early 2001. So far, five charges have been filed against former and serving officials of the RS Government. These five cases concern a total of approximately 300,000 KM (150, 000 Euro) which has been misappropriated from the RS budget.

37. On 6 November, I issued a Decision amending the Law on Banks in the Federation to allow provisional administrators of banks to make payouts of up to 5000 KM before they complete their final reports. According to the Federation Banking Agency, about 65, 000 small depositors in the Federation will be affected by this change. These amendments also enabled the Provisional Administrator of Hercegovacka Banka to start paying, in December 2001, the bank's small depositors whose savings had been frozen since the establishment of the provisional administration in April 2001.

IV MEDIA DEVELOPMENT

38. On 27 October 2001 the new Federation TV was launched. Significant measures have been taken by the management to enfranchise the Croats by improving the signal coverage and developing the Croat component of this new service. The Public Broadcasting Service (PBS) Founding Board appointed the top managers for the state-level PBS and my Broadcasting Agent has worked closely with these new managers to create a financially viable and journalistically professional public broadcasting system for whole of BiH.

39. Through their stringent licensing process, the Communications Regulatory Agency (CRA) has continued to take decisions in order to reduce the excessive number of broadcasters. At the time of writing, the appeal process was in its final phase and the CRA expected to finalize its decisions in the first quarter of 2002.

V RETURNS

40. In 2001, UNHCR registered the return of 92, 061 people to their pre-war homes in areas where their ethnic group is in minority. In contrast, the year 2000 –which was declared a breakthrough year-, saw only 67,445 of these "minority" returns. There has also been a promising rise in the level of cooperation between both Entities, in particular on information exchange regarding property repossessions and returns, together with the initiation of Entity-funded reconstruction projects. However, greater State-level and inter-Entity cooperation on return issues is necessary. My Office is now a regular member of the State Commission for Refugees, co-chaired by the UNHCR and the State Ministry for Human Rights and Refugees, in which both Entities participate. In this forum, issues of immense importance, including apartment privatisation, amendments to the property laws, and land allocation issues, have been constructively discussed. I am also encouraged by the Stability Pact's adoption of an Agenda for Regional Action under its Regional Return Initiative.

41. On funding issues, my office welcomes the shift towards projects such as the World Bank's Small and Medium Enterprises project, aimed at creating a sustainable economic environment for returns and reintegration. My Office is also interested in identifying funding for capacity-building programmes, to upgrade the institutional abilities of organisations that will ultimately assume full ownership of issues on which the international community currently remains engaged: including the State-level Ministry for Human Rights and Refugees, and municipal-level bodies throughout the country.

42. On 24 January I issued a Decision ensuring transparency in the allocation of funds for refugee return in the Entity budgets. It was issued in response to an application lodged by three (non-Serb) members of the RS Constitutional Commission who invoked vital national interest to veto the proposed 2002 RS budget. They maintained that insufficient funds had been allocated to returns to the RS in the 2002 budget, and that

funds allocated to minority returns in the 2000 and 2001 RS budgets had not been spent. Among other things, my Decision requires Entity Ministers to notify periodically the State Minister for Refugees on their expenditure on refugee return.

VI PROPERTY

43. According to Property Law Implementation Plan statistics, as of the end of 2001, the Federation has issued decisions on over 80% of all claims received, and has resolved nearly 50% of these claims. The RS has issued decisions on nearly 50% of all claims received, and has resolved just over 30%. Brcko District has issued decisions on just over 40%, and solved nearly 40%. Over all, in the whole of BiH, decisions have been issued on approximately 65% of claims made to date, while approximately 40% of all claimants have been able to repossess their property. Although progress is clearly being made, without a significant increase of the implementation rates, particularly in the RS, the process could still take up to four years to be completed.

44. With this scenario in mind, on 4 December 2001 I issued thirteen Decisions comprehensively amending the property laws of both Entities, together with an Instruction on the purchase of apartments in the Federation. The amendments reduce the possibility of manipulations and delays, allow for the speedier eviction of multiple occupants, and ensure the full right of refugees and displaced persons to "freely return to their homes of origin", as guaranteed by the Dayton Peace Agreement.

VII EDUCATION

45. The first informal tripartite meeting of Ministries of Education (MoE) from BiH, Croatia and FRY, took place on 20 November 2001 in the CoE, Strasbourg. Further co-operation has been agreed upon, including the establishment of expert teams for co-ordination and harmonisation of curricula, mutual recognition of school certificates and university diplomas, and preparations on signing bilateral protocols on education cooperation between the three countries to occur by May 2002.

46. Following the discovery of a number of textbooks containing anti-Dayton, or otherwise objectionable or improper materials, especially in RS, my Office launched a new phase of the textbook review. On 14 December 2001, the Entity MoEs signed a new Agreement on the textbook review, prepared by my Office, assuming the obligation to establish their own Standing Textbook Commissions that would be tasked with review of the textbooks produced in their own Entity as well of those from the other Entity.

47. On a positive note, since 3 September 2001, more than 10, 000 pupils in all Brcko District schools have been taught under harmonised curricula, prepared by ethnically integrated teaching staff and headmasters themselves, in ethnically integrated classes. It took only seven months to establish this system, and I am convinced that the Brcko model can be implemented anywhere in BiH where there is political will to do so.

VIII HUMAN RIGHTS ISSUES

1. - Human Rights institutions

48. Implementation of the Human Rights Chamber's decisions increased from 33% in late 1999 to 73% by the end of 2001. The Federation registered significant progress (implementation rate 92%), with high implementation of occupancy right cases and compensation awards. The RS (implementation rate 59%) also showed progress in regard to the payment of monetary compensation in some 10 cases, although the sums paid did not include interest charges as required by the Chamber. So far, the situation with respect to RS overall compliance is far from satisfactory.

2. - Social, Economic and Gender Rights

49. My Office, together with other members of the IC, continues to urge Cantonal and Federation Commissions to implement article 143 of the Federation Labor Law swiftly, issuing a deadline of 28 February 2002 for finding remedies to the current concerns. The IC Fair and Equal Employment Principles were prepared and the Fair Employment Practices Strategy Policy Paper was revised with input and co-ordination by my Office, during the reporting period. These Documents articulate standards for employment practices, outline mechanisms to ensure compliance with inclusive, non-discriminatory hiring practices within the public and the private sector, and encourage investors and donors to apply "conditionality" as a guiding principle in the implementation of their programmes.

50. As for the Inter-Entity Agreement on Health Care provision for insured persons irrespective of place of residence in BiH, my Office has also contributed to finalising it. This was signed on 3 December 2001.

51. The final version of the Draft BiH Law on Gender Equality was approved by the CoM on 7 February 2002, and has now been forwarded to the PA for consideration. With regard to victims of human trafficking, my Office continues to provide assistance to the relevant BiH authorities within the country-wide Plan of Action, especially in the ongoing legislative reform of criminal laws and the Law on Immigration and Asylum.

3. - International Criminal Tribunal for Yugoslavia (ICTY)

52. My Office has continued to work closely with ICTY to pressure the relevant authorities of BiH, especially those of the RS, to co-operate more efficiently with the Tribunal.

53. In light of the high profile war crimes prosecution against Ivo Lozancic and originally 14 other Bosnian Croats in the Zenica Cantonal Court, and the problems with respect

to domestic war crimes prosecutions this particular trial and other trials have highlighted, I am currently considering how to best address a future strategy of domestic war crimes prosecutions. This will be done through a Team of Expert Consultants, who will also address what would need to be done if future domestic war crimes cases were to be tried in the soon-to-be-established BiH Court. I am developing this strategy in response to the non-paper presented to me for comments in August 2001, by ICTY Chief Prosecutor (presented to the UN Security Council on 26 November 2001). The non-paper contained a proposal to remit ICTY cases to a Special Court, or develop an existing State court in BiH, as a possible exit strategy for ICTY. My strategy will ensure that ICTY's current concerns with the BiH judicial system with respect to war crimes prosecutions will be addressed, and our offices will work together to ensure that domestic war crimes prosecutions are expedited and meet high professional standards.

54. Other problems in relation to conducting domestic fair war crimes trials are in particular a general lack of professionalism in judicial and investigative work and the absence of a comprehensive witness protection programme. The latter issue is currently being worked on in the context of a new State Criminal Procedure Code, as a separate law on witness protection applicable to criminal cases in general.

4. - Civil Society

55. My Office has been actively engaged with supporting NGOs and reforming legislation to ensure a better environment for the development and vitality of civil society, which is essential for the consolidation of democracy in BiH. The State Law on Associations and Foundations came into force on 5 January 2002. The RS Law on Associations and Foundations was adopted and entered into force on 17 October 2001.

56. As part of my commitment to listen to the voices of citizens and help civil society gain greater influence in the political arena of BiH, I hosted four sessions of the Civic Forum in Sarajevo, Banja Luka and Mostar during the reporting period.

5. - Reconciliation issues and reconstruction of cultural monuments

57. My Office continues to facilitate dialogue between the three majority religious groups, focussing especially upon the reconstruction of destroyed religious monuments as a means of encouraging freedom of religious expression and facilitating returns. As directed by the Steering Board at its October 2001 meeting, my Office worked towards the adoption of laws, harmonised in both Entities and the Brcko District, on the Implementation of the Decision of the Annex 8 Commission to Preserve National Monuments. Brcko District passed its legislation in November 2001 and on 8 February 2002, I issued Decisions harmonizing the laws in the Federation and the RS. With these new laws, the Entity Ministries of Urban Planning, rather than municipal authorities, are responsible for issuing permits. The decision has

to be taken within 30 days whether to issue permit or not, thus prospectively avoiding delaying tactics and artificial obstacles.

58. With respect to other reconciliation activities and missing persons issues, the Foundation of Srebrenica/Potocari Memorial and Cemetery continues to work with the Family Associations to implement the development of the site I had designated for a memorial and cemetery. The Executive Board of the Foundation met in January to consider the proposal made by the Advisory Working Group to add the nearby Battery Factory site as a location for the memorial component. The Board decided to undertake a site assessment of the property and urge the Advisory Working Group to proceed without delay to plan for the burial of the remains which have been exhumed and prepared for interment. Even though few identifications have been made, it is expected that the process will accelerate during the spring and summer of 2002.

IX LEGAL ISSUES

1. - Criminal Law

59. Work has been ongoing on supporting legislation for the Court of BiH, the Law on which was imposed by me at the end of 2000. The supporting legislation includes a Criminal Procedure Code and a Criminal Code for the State level. The Ministry of Civil Affairs and Communications (MCAC) are in charge of the process and my Office has the leading role among the international community.

2. - Implementation of the BiH Constitutional Court's Decisions

60. The implementation of the four partial Decisions the BiH Constitutional Court passed in 2000 - including the so-called "Constituent Peoples' Decision" - is still in a crucial phase. The establishment of fair representation of all constituent peoples in all public institutions, the definition of vital interest and the vital interest protection system are the key questions in this process. The Entities' Constitutional Commissions proposed draft amendments to the respective constitutions. Several common sessions of both Commissions contributed to the achievement of substantially similar standards in both Entities.

61. At my request, the leaders of the main BiH parties (from both Entities) have met several times at the end of January and during the month of February with the aim of finding a compromise solution. I have insisted to them that it is essential that the political leadership of the country takes full ownership of the process, not resorting - as it is usual in this country- to the IC (or, in other words, the HR) to decide and impose the solution to their differences.

3. - Special parallel relations between the RS and the FRY.

62. Pursuant to Article 9 of the SPRA which provides for its due consultation, my Office is reviewing several draft Annexes to the Agreement on the Establishment of Special Parallel Relations between FRY and RS.

63. With regards to two draft Annexes on Statistics and Refugees, which had been submitted to my Office for consideration, I informed the RS Prime Minister and the Federal President of Yugoslavia on 31 January that I cannot permit the conclusion of these annexes, as they refer to matters that have to be dealt with at the State level between BiH and FRY.

4.- Other issues

64. The Federation Law on Citizenship was finally adopted in September 2001, after nearly three years of obstruction by local authorities. The adoption of this law is an important step, since many former SFRY citizens who took up permanent residence in BiH before 1998 became eligible to obtain BiH citizenship as of 1 January 2000. However, they were unable to exercise their right to do so in the absence of a Federation Citizenship Law.

X SECURITY AND DEFENCE ISSUES

1. - Defence and military reform

65. The successful development of the Secretariat of the Standing Committee on Military Matters (SCMM-Sec) has continued to deliver results, especially in terms of co-ordination. Most recently, team-building workshops involving the three Military Advisors of the BiH Presidency members, and their staffs, have helped to accelerate progress with the defence portion of the BiH Security Policy that is currently being developed.

66. Following the adoption of the BiH Defence Policy by the BiH Presidency, the key challenge remains to ensure that the State authorities move forward in implementing it, especially in terms of enhancing and developing the State-level structures and procedures.

2. - De-mining

67. Progress in de-mining activity is still frustratingly slow: according to the last official report, only 12% of the area of risk within BiH had been surveyed, and only 9% of the resultant surface requiring de-mining had been cleared. The main reasons for the poor result are the reduction in funding from the IC, (although there are indications that this is improving) and the lack of an overall de-mining strategy owned by the BiH authorities.

68. The Joint Chairs of the Board of Donors, together with the BiH authorities have now made a key step forward politically. The first De-mining Law in BiH was adopted on 12 February 2002. This law establishes a single de-mining structure at the State-level. It is important to note that both the BiH and Entity governments have budgeted to participate formally in de-mining activities in the next fiscal year. Moreover, the BiH de-mining authorities will produce a comprehensive De-mining Programme by March 2002. These activities are helping to increase the confidence of the donor community, and should result in increased funding for de-mining in BiH throughout 2002.

XI STREAMLINING OF INTERNATIONAL CIVILIAN PRESENCE IN BiH

69. At its meeting on 6 December 2001, the PIC SB PDs endorsed my Draft Action Plan, including the concept of policy coordination Task Forces on Rule of Law, Institution Building, Economic Policy, and Return and Reconstruction, as well as a Situation Group. At the top of the structure there is a Cabinet of lead agencies chaired by the High Representative. The Plan also integrates the necessary mechanisms to to implement partnership between the IC and the BiH authorities at different levels. The main one is the Consultative Partnership Forum. My Office worked to prepare a refined version of the Action Plan, including an assessment of matching multi-year funding requirements, and options for the follow-on police mission, for presentation to the SB PDs' meeting scheduled for 28 February 2002.